

Retirement savings plan unveiled

By Nancy Remsen
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MONTPELIER -- State Treasurer Jeb Spaulding and four lawmakers sketched out a plan Tuesday to help more Vermonters save toward their retirement and reduce the tidal wave of individuals who won't have enough to live on when they stop working.

"There is a quiet crisis in the making," Spaulding said. "Millions of Americans and thousands of Vermonters aren't saving enough for retirement. Besides the personal implications," he said, "they are going to put a stress on taxpayer-supported services."

The proposed Vermont Voluntary Retirement Savings Program would make it easier for small businesses to offer their employees 401(k) types of plans, which are pre-tax savings options, Spaulding said. The proposed savings program also might offer individuals the opportunity to open Individual Retirement Accounts if they are self-employed or work for an employer who doesn't offer a retirement savings plan.

The treasurer would package the new program with existing retirement savings plans offered to state and municipal employees, which would reduce administration expenses. The program wouldn't require any tax dollars, Spaulding promised. Costs would be borne by participants, but Spaulding predicted the new savings program would be inexpensive.

"It's an interesting concept," said Jeff Fothergill, a certified public accountant in Montpelier. Participants could bring their money under professional investment guidance at little cost, he said.

Many details have yet to be worked out and the starting date would be late in 2007 or early 2008. Lawmakers must first pass a law authorizing the program.

Spaulding and four legislators representing the state's three major political parties decided to begin publicizing the idea Tuesday to start Vermonters thinking about the savings crisis and this potential solution.

"We want to have it out there to be discussed so we can polish it," said Sen. Diane Snelling, R-Chittenden.

"One of the challenges is going to be spreading the word," said Rep. Sarah Edwards, P-Brattleboro.

Only three other states -- Washington, Maryland and Michigan -- have taken steps to piggyback retirement savings programs for small businesses and individuals with public employee plans.

Rep. Donna Sweaney, D-Windsor, hopes to promote the idea throughout New England so these kinds of retirement plans would be portable. She noted that workers often move around the Northeast or live in one state and work in another. Sweaney said the concept will be the primary topic at next week's meeting of the New England Women Legislators Symposium in Hanover, N.H.

Women could benefit

Women often enter retirement with smaller nest eggs than men have accumulated, said Sen. Susan Bartlett, D-Lamoille. "Women live longer, often interrupt their careers to raise children or care for aging parents and are paid less than men," she said, "so they often end up with inadequate savings."

"We know that making it easy for people to save is the best encouragement," Bartlett added.

Private financial planners have long warned of the looming retirement crisis and identified the hurdles that face initiatives to increase savings by Americans.

A savings plan that would allow workers to put money aside before it is taxed has appeal, said Chris Smith of Hickok & Boardman Financial Planning and Group Benefits. These plans would attract even more savers if employers contributed.

Voluntary participation

Under the proposed Vermont Voluntary Retirement Savings Program, employers could choose to offer the pre-tax savings option only, make a contribution, or do nothing. Spaulding stressed participation would be voluntary.

Based on an outline of the concept, Terrence Ryan, a financial planner in Middlebury, said it was "a step in the right direction, but whether it will produce anything is another question."

Ryan noted that employers and employees need a lot of "hand-holding" when it comes to retirement planning. When in doubt, they do nothing, Ryan noted. He predicted education about the program would be a significant challenge.

Despite formidable challenges, Snelling said the program is worth trying.

"It's hard to figure out what the negatives are," she said. She noted, too, that it has broad political backing. "This is a wonderful example of a collaboration that has nothing to do with party lines."

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Retirement facts

SAVINGS RATE: The U.S savings rate is less than zero, as low as in 1933 during the Great Depression, according to a January report of the U.S. Commerce Department.

RETIREMENT COVERAGE: Half the U.S. work force isn't covered by an employer-sponsored retirement plan. Nationally, 60 percent of employers with fewer than 25 workers don't offer retirement savings options. Three-quarters of Vermont employers have nine or fewer employees.

RETIREMENT BENEFIT: In Vermont, according to a Hickok & Boardman survey of 143 organizations, employers are more likely to offer their staffs educational financial assistance than retirement planning services.

PLAN TYPES: The most prevalent retirement savings plan among Vermont employers surveyed by Hickok & Boardman is a 401(k), with 74 percent of the 143 organizations offering this option.

Sources include Vermont Voluntary Retirement Savings Program proposal from state treasurer and 2005 survey of benefits by Hickok & Boardman Employee Benefits Group.